

# **Statement of Estimated State Revenue Impact**

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**Date:** February 13, 2012 (As amended February 7, 2012 by the Senate Finance Sales & Income Tax Subcommittee)

**Bill Number:** S.B. 11

**Authors:** McConnell, Cromer, McGill, Rose, Grooms, and Campsen

**Committee Requesting Impact:** Senate Finance Committee

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## **Bill Summary**

A bill to amend the Code of Laws of South Carolina, 1976, enacting the "Taxpayer Fairness Act" by adding Section 12-4-397 so as to provide the manner in which the South Carolina Department of Revenue must interpret tax statutes of this state, to provide that terms in the tax statutes of this state may not be given broader meaning than intended by policy documents and regulations of the Department of Revenue, to provide that ambiguity in tax statutes must be resolved in favor of the taxpayer, to require the Department to report ambiguities to certain members of the General Assembly, and to define "tax statutes of this state".

## **REVENUE IMPACT <sup>1/</sup>**

This bill, as amended, is not expected to affect General Fund revenue in FY2012-13.

## **Explanation of Amendment (February 7, 2012) – By the Senate Finance Sales & Income Tax Subcommittee**

This amendment would strike Section 2 in its entirety and insert language to remove the requirement if any ambiguity in the application of revenue statutes in the filing of a tax return exist, the disputed tax assessments of the Department of Revenue must be resolved in favor of the taxpayer. The phrase "tax statute of this State" means a statute imposing a tax or fee administered by the South Carolina Department of Revenue. This amendment would also require the Department of Revenue to interpret the revenue statutes based on the plain meaning and legislative intent of the statute. The terms contained in the tax statute may not be given broader meaning in policy documents or regulations of the department. This bill would also require the Department of Revenue to report any ambiguity in the interpretation of a tax statute to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Chairmen of the Senate Finance Committee and the House Ways and Means Committee. The first report must be submitted no later than May first and the second report must be submitted no later than November first of each year. This bill, as amended, is not expected to affect General Fund revenue in FY2012-13.

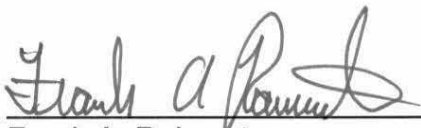
## **Explanation of Bill filed January 11, 2011**

This bill would add Section 12-4-397 to create the "Taxpayer Fairness Act" that if any ambiguity in the application of revenue statutes in the filing of a tax return must be resolved in favor of the taxpayer. The Department of Revenue would have to interpret the revenue statutes based on the plain meaning and legislative intent of the statute, and must not give broader meaning in policy documents or regulations of the department. This bill would also require the Department of Revenue to report any ambiguity in the interpretation of a revenue statute to the Governor, the President Pro Tempore of the Senate, the Speaker of the House

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of Representatives, and the Chairmen of the Senate Finance Committee and the House Ways and Means Committee. This bill would require the disputed assessments between the Department of Revenue and taxpayers to be resolved in the favor of the taxpayers. Tax disputes and issues of compliance with the tax statutes occur every tax year. Tax settlements usually result in regular enforced collections of \$300,000,000 to \$400,000,000 per year. According to figures provided by the Audit Division of the South Carolina Department of Revenue, audits of tax returns produced assessments totaling \$390,788,169 in FY2009-10. Of those assessments, \$56,873,246 was paid in FY2009-10. The Department of Revenue is still working on the remaining \$333,914,923. The Department of Revenue has advised the BEA, that this bill would inhibit the Department of Revenue's ability to collect an estimated \$350,000,000 of tax revenue in FY2012-13. This act takes effect upon approval by the Governor.



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<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact of Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.